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C O N F I D E N T I A L SECTION 01 OF 03 MANAMA 000531

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SUBJECT: FM DISCUSSES GCC-EU FTA, FORUM FOR FUTURE,
SECTARIANISM, AL SUMMIT WITH AMBASSADOR

Classified By: Ambassador William T. Monroe. Reason: 1.4 (b)(d)

SUMMARY

11. (C) Foreign Minister Shaykh Mohammed told the Ambassador April 6 that both sides at the recent GCC-EU Ministerial were committed to try to conclude an FTA by the end of the year; local EU and GCC diplomats, conceding that serious issues remain, are skeptical. The EU reiterated concerns about the U.S.-Bahrain FTA. The FM said he placed the highest priority on having the Entrepreneurship Center up and running by November's Forum for the Future, stating that he wanted to demonstrate to doubting Arabs that something positive and concrete has been achieved by cooperation with the West. On domestic political reform, he said freedom of expression is important and permitted in Bahrain, but worried about those whose agenda is to keep Bahrain in a state of crisis which could open the door to increased Iranian influence. While viewing the changes in Iraq positively, he expressed concern that a strengthening and institutionalizing of sectarian tendencies there could lead to similar sectarian pressures in Bahrain. On last month's Arab Summit, which he attended with the Crown Prince, Shaykh Mohammed gave high marks to Mahmoud Abbas and said President Assad was clear -- in a bilateral meeting -- on his intention to withdraw from Lebanon. Shaykh Mohammed urged strong U.S. leadership to press Israel on the settlement issue.

GCC-EU MINISTERIAL: FOCUS ON FTA

12. (C) Foreign Minister Shaykh Mohammed bin Mubarak Al-Khalifa, just back from the Arab Summit in Algiers and an official visit to New Zealand, and having just chaired the 15th GCC-EU Joint Ministerial, discussed a range of foreign policy issues with the Ambassador during an April 6 meeting. Opening with the GCC-EU Ministerial, Shaykh Mohammed reiterated what he told the press a day earlier on the GCC-EU Free Trade Agreement -- that both sides hoped to complete the agreement by the end of the year. He acknowledged that some key issues remained, including on services, subsidization of petrochemicals, and government procurement, but said that both sides committed to trying to reach agreement this year. (Note: the joint communique "noted the parties' commitment to do their utmost to conclude the negotiations at the earliest possible stage and preferably before the end of 2005." UK Ambassador Robin Lamb told the Ambassador that there is "political will" on both sides to complete the GCC-EU FTA as soon as possible, but that there are still some serious issues to be resolved. The Kuwaiti DCM told us he was skeptical that an agreement could be reached by the end of the year, and that GCC members remain disappointed at the slow pace of discussions. The next round of negotiations is scheduled to take place in Brussels June 7-9. End note.)

13. (C) Shaykh Mohammed said that, during the discussions, the EU criticized the U.S.-Bahrain FTA, saying bilateral agreements make it difficult to have regional FTAs. Shaykh Mohammed said that he pushed back, saying that they should focus on the details of the EU-GCC FTA without getting bogged down in the issue of bilateral FTAs. Talking to the press after the meeting, European Trade Commissioner Peter Mandelson reiterated EU concerns, saying that "the European Union conveyed its deep concern about bilateral free trade agreements by individual GCC members and other third countries. The Union regarded that these agreements risk undermining the proper functioning of the GCC Customs Union and hence the EU-GCC free trade agreement negotiations."

EU STRATEGIC PARTNERSHIP: WE HAVE ENOUGH PARTNERSHIPS

14. (C) The EU raised during the meeting the "EU Strategic Partnership with the Mediterranean and the Middle East" (adopted by the European Council in June 2004). While the communique suggested that the two sides would explore ways by which the Strategic Partnership could strengthen relations between the EU and GCC, Shaykh Mohammed expressed skepticism about the initiative. GCC members, he said, suggested that the "Strategic Partnership" might be duplicative of existing channels of cooperation, such as BMENA and the Forum for the

Future." The EU countered that the "Strategic Partnership" was a necessary because "we can't have free trade without a strategic initiative." Shaykh Mohammed, noting that the initiative is still vague at this point, remained unconvinced, saying "We have enough of these partnerships."

ARAB SUMMIT: U.S. LEADERSHIP NEEDED ON SETTLEMENTS

15. (C) On the Arab Summit, Shaykh Mohammed said the most important result was the participation of Mahmoud Abbas and the speech he gave. His participation gave his leadership credibility. It is important that he now receive the necessary support. He needs financial support, but Israel has to help as well. Most important, he said, will be a firm stand on Israeli expansion of settlements. "How can you work for peace when one side is sabotaging it," he asked. "This is where U.S. leadership is required." He praised the statement by the President the day before reiterating the clear position of the U.S. that the roadmap calls for no expansion of settlements. It will be important, he said, for the United States to continue to make clear its policy on settlements to Israel, and tell Israel when it is not happy with its policies.

16. (C) Shaykh Mohammed said that the head of Bahrain's delegation to the Summit, Crown Prince Shaykh Salman, held a bilateral with Syrian President Assad, who reiterated his commitment to withdraw all military and intelligence elements out of Lebanon. Assad told the Crown Prince he would implement UNSCR 1559. On Hizballah, he said that was a Lebanese issue which should be left to the Lebanese.

FORUM FOR THE FUTURE: WE NEED RESULTS

17. (C) Shaykh Mohammed spoke at some length on plans for the November meeting of the Forum for the Future, which Bahrain will host. He said that he places the highest priority on having a tangible Entrepreneurship Center in place in Bahrain by the time of the meeting. "I will be chairing the meeting," he said, "and I want to tell the people what we have achieved. I want to tell the Arab world -- to those who don't believe in cooperation -- that we have achieved something. The people need results. This is a challenge for the West to tell the countries of the Middle East that you are there and will help us."

DEMONSTRATIONS: PERMITTED, BUT NOT TO THE POINT OF CRISIS

18. (C) The Ambassador said that the USG was pleased with the way Bahrain resolved the issue of the al Wifaq demonstration that took place in Sitra March 25 without government authorization. Both the government and the opposition, it appeared, sought a conciliatory solution that defused a potentially difficult situation. That said, it was important for the Government of Bahrain to recognize that, while we greatly appreciate and publicly endorse the positive reform program introduced by the King, people in Washington do notice, and express concern, whenever reports come from Bahrain of a closed human rights center, or arrested on-line internet providers, or a blocked rally.

19. (C) Shaykh Mohammed replied that the principle of freedom of expression, including the right to demonstrate, is important and permitted, but that Bahrain also must worry about security and stability. A demonstration here or there is fine, but Bahrain can't continually have demonstrations and be in a state of crisis all the time. Bahrain has introduced reforms. It is asking the opposition to join in, use the reforms, and work for change from within. But these people want to make change from outside. They have an agenda to keep Bahrain in a state of crisis, stopping traffic, using the economy as their hostage. This risks opening the door to increased Iranian influence. What are the motives of the opposition? Listen to what they are saying in the mosque speeches. Demonstrations are allowed in Bahrain, he reiterated, but not every day, every week.

IRAQ: WORRIES THAT IT MIGHT BECOME A SECTARIAN MODEL

110. (C) The Ambassador asked if developments in Iraq, where a Shia majority just won an election, were having an impact in Bahrain. Shaykh Mohammed said that the GOB of course views the changes in Iraq very positively, but is worried that if sectarian tendencies there strengthen and institutionalize, it could lead to similar sectarian pressures in Bahrain. He said he was concerned that, as democracy proceeds in Bahrain, pressures may develop for some sort of formula for how many and which positions go to Sunni and to Shia. "We are for

democracy, and it will go forward," he said, but it will not be good if it develops along sectarian lines." Unfortunately, he added, there are Shia and Sunni extremists in Bahrain who will want to play the sectarian card.

11. (U) Baghdad minimize considered.
MONROE